

DUKE ENERGY CAROLINAS, LLC
OPERATING INCOME FROM ELECTRIC OPERATIONS
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	South Carolina Retail Excluding Greenwood Operations					
		Total Company Per Books (Col. 1)	(a) Per Books (Col. 2)	Adjustments (Col. 3)	Before Proposed Increase (Col. 4)	Revenue and Expenses from Proposed Increase (Col. 5)	After Proposed Increase (Col. 6)
1	Electric operating revenue	\$ 7,315,231	\$ 1,733,770	\$ (71,633)	\$ 1,662,137	\$ 106,931 (f)	\$ 1,769,068
	Electric operating expenses:						
	Operation and maintenance:						
2	Fuel used in electric generation	1,473,809	338,575	23,771	362,345		362,345
3	Purchased power	348,770	85,559	-	85,559		85,559
4	Other operation and maintenance expense	1,920,225	469,026	(37,539)	431,487		431,487
5	Depreciation and amortization	1,134,170	251,518	71,509	323,027		323,027
6	General taxes	277,321	85,270	8,271	93,541	474	94,014
7	Interest on customer deposits	8,500 (b)	1,023	-	1,023		1,023
8	Net income taxes	618,934	149,043	(89,387)	59,656	26,561	86,217
9	Amortization of investment tax credit	(5,298)	(1,265)	9	(1,255)		(1,255)
10	Total electric operating expenses	5,776,431	1,378,749	(23,366)	1,355,383	27,035	1,382,418
11	Operating income	\$ 1,538,800	\$ 355,021	\$ (48,267)	\$ 306,754	\$ 79,896	\$ 386,650
12	Add: customer growth			2,763	2,763	720	\$ 3,483
13	Net operating income for return	\$ 1,538,800	\$ 355,021	\$ (45,504)	\$ 309,517	\$ 80,616	\$ 390,133
14	Original cost rate base (e)	\$ 19,021,340	\$ 4,454,360	\$ 991,303 (d)	\$ 5,445,663		\$ 5,445,663
15	Rate of return on South Carolina retail rate base		7.97%		5.68%		7.16%

Notes: (a) Per Cost of Service
(b) Reclassifies interest on customer deposits to electric operating expense.
(c) From Page 3, Line 36
(d) From Page 4, Line11.
(e) From Page 2.
(f) Proposed increase does not include impact of EDIT Rider year 1 reduction of (\$63M) as calculated in Smith Exhibit 2, page 2.

DIRECTIVE

DUKE ENERGY CAROLINAS, LLC
CALCULATION OF ADDITIONAL REVENUE REQUIREMENT
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	December 31, 2017 Amount (Col. 1)	Pro forma Ratio (Col. 2)	South Carolina Retail Excluding Greenwood Operations					
				Before Proposed Increase			After Proposed Increase		
				Retail Rate Base (Col. 3)	Embedded Cost/ Return % (Col. 4)	Operating Income (Col. 5)	Retail Rate Base (Col. 6)	Embedded Cost/ Return % (Col. 7)	Operating Income (Col. 8)
1	Long-term debt	\$ 8,949,744	47.00%	\$ 2,559,462	4.53%	\$ 115,944	\$ 2,559,462	4.53%	\$ 115,944
2	Members' equity (a)	11,361,076	53.00%	2,886,201	6.71%	193,573	2,886,201	9.50%	274,189
3	Total	<u>\$ 20,310,820</u>	<u>100.00%</u>	<u>\$ 5,445,663</u> (b)		<u>\$ 309,517</u> (c)	<u>\$ 5,445,663</u> (b)		<u>390,133</u>
4	Operating income before increase (Line 3, Column 5)								\$ 309,517
5	Customer growth								720
6	Operating income before increase								<u>310,237</u>
7	Additional operating income required (Line 3 minus Line 6)								79,896
8	Gross receipts taxes, utility assessment and income taxes								<u>27,035</u>
9	Additional revenue requirement								<u>\$ 106,931</u>

Notes: (a) The equivalent of common equity for a limited liability company.
(b) From Page 4, Line 11, Column 4.
(c) From Page 1, Line 13, Column 4.

DIRECTIVE

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-SOUTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 24.9500% (Col. 7)	Amortization of ITC (Col. 8)
1	Annualize Retail revenues for current rates	\$ 4,461	\$ -	\$ -	\$ -	\$ -	\$ 20	\$ 1,108	\$ -
2	Update fuel costs to approved rate and other fuel related adjustments	3,186	23,771	-	-	-	-	(5,136)	-
3	Adjust Other Revenue	(2,735)	-	-	(4)	-	(8)	(679)	-
4	Adjust the amount of CWIP included in rate base	-	-	-	-	-	-	-	-
5	Eliminate unbilled revenues	(63,683)	-	-	-	-	(174)	(15,845)	-
6	Adjust for costs recovered through non-fuel riders	(12,862)	-	-	(52,053)	-	-	9,778	-
7	Amortize deferred cost balance related to Carolinas West Control Center	-	-	-	-	168	-	(42)	-
8	Annualize Depreciation on year end plant balances	-	-	-	-	9,059	-	(2,260)	9
9	Annualize property taxes on year end plant balances	-	-	-	-	-	3,538	(883)	-
10	Adjust for new depreciation rates	-	-	-	-	13,304	-	(3,319)	-
11	Adjust for post test year additions to plant in service	-	-	-	-	16,304	3,443	(4,927)	-
12	Reflect 2017 Lee Combined Cycle addition to plant in service	-	-	-	723	4,346	817	(1,469)	-
13	Amortize deferred cost balance related to Lee Combined Cycle	-	-	-	-	563	-	(140)	-
14	Adjust for Lee Nuclear amortization	-	-	-	-	10,383	-	(2,591)	-
15	Adjust reserve for end of life nuclear costs	-	-	-	-	-	-	-	-
16	Adjust coal inventory	-	-	-	-	-	-	-	-
17	Adjust for approved regulatory assets and liabilities	-	-	-	(113)	(6,256)	-	1,589	-
18	Amortize deferred environmental costs	-	-	-	-	19,219	-	(4,795)	-
19	Amortize deferred cost balance related to SC AMI	-	-	-	-	2,175	-	(543)	-
20	Normalize for storm costs	-	-	-	966	-	-	(241)	-
21	Annualize O&M non-labor expenses	-	-	-	-	-	-	-	-

DIRECTIVE

DUKE ENERGY CAROLINAS, LLC
DETAIL OF ACCOUNTING ADJUSTMENTS-NORTH CAROLINA RETAIL
FOR THE TEST PERIOD ENDED DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Electric Operating Revenue (Col. 1)	Fuel Used in Electric Generation (Col. 2)	Purchased Power (Col. 3)	Other O&M Expense (Col. 4)	Depreciation and Amortization (Col. 5)	General Taxes (Col. 6)	Income Taxes 24.9500% (Col. 7)	Amortization of ITC (Col. 8)
22	Normalize O&M labor expenses	-	-	-	8,345	-	643	(2,243)	-
23	Update benefits costs	-	-	-	(1,816)	-	-	453	-
24	Levelize nuclear refueling outage costs	-	-	-	(1,160)	-	-	289	-
25	Amortize rate case costs	-	-	-	268	-	-	(67)	-
26	Adjust aviation expenses	-	-	-	(773)	-	(8)	195	-
27	OPEN	-	-	-	-	-	-	-	-
28	Adjust for credit card fees	-	-	-	2,517	-	-	(628)	-
29	Adjust O&M for executive compensation	-	-	-	(1,222)	-	-	305	-
30	Adjust for Customer Connect Project	-	-	-	2,549	1,063	-	(901)	-
31	Adjust vegetation management expenses	-	-	-	4,878	-	-	(1,217)	-
32	Synchronize interest expense with end of period rate base	-	-	-	-	-	-	(2,948)	-
33	Adjust 1/8 O&M for accounting and pro-forma adjustments	-	-	-	-	-	-	-	-
34	Adjust for tax rate change	-	-	-	-	-	-	(52,097)	-
35	Adjust deferred cost balance related to SC Grid	-	-	-	-	1,181	-	(295)	-
36	Remove Certain Expenses (b)	-	-	-	(645)	-	-	161	-
37	Total adjustments	<u>\$ (71,633)</u>	<u>\$ 23,771</u>	<u>\$ -</u>	<u>\$ (37,539)</u>	<u>\$ 71,509</u>	<u>\$ 8,271</u>	<u>\$ (89,387)</u>	<u>\$ 9</u>

Notes: (a) Adjustments to rate base shown on pages 4-4d.

(b) Includes adjustment to conform to Commission Directive's overall revenue increase.

DUKE ENERGY CAROLINAS, LLC
ORIGINAL COST RATE BASE-ELECTRIC OPERATIONS
DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Page Reference	Total Company Per Books (Col. 1)	South Carolina Retail Excluding Greenwood Operations		
				Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Electric plant in service	4a	\$ 38,056,480	\$ 9,087,106	\$ 637,046	\$ 9,724,152
2	Less: Accumulated depreciation and amortization	4b	<u>(15,274,676)</u>	<u>(3,675,901)</u>	<u>(40,121)</u>	<u>(3,716,022)</u>
3	Net electric plant		22,781,804	5,411,204	596,926	6,008,130
4	Add: Materials and supplies	4c	1,010,030	233,810	3,190	237,000
5	Cash working capital	4d	(1,697,173)	(401,737)	82,221	(319,516)
6	Plant held for future use		14,835	3,974	9,863	13,837
7	Nuclear Fuel	4a	527,459	130,305		130,305
8	Less: Accumulated deferred taxes		(3,428,625)	(877,452)	(13,191) (a)	(890,643)
9	Operating reserves		(343,589)	(82,616)	-	(82,616)
10	Construction work in progress		<u>156,599</u>	<u>36,872</u>	<u>312,295</u> (b)	<u>349,167</u>
11	Total		<u>\$ 19,021,340</u>	<u>\$ 4,454,360</u>	<u>\$ 991,303</u>	<u>\$ 5,445,663</u>

Notes: (a) Reflects adjustments of \$1,997 for removal of ADIT associated with fuel related riders, (\$889) additional ADIT associated with the Carolinas West Control Center, (\$1,443) additional ADIT associated with new depreciation rates, (\$19,202) additional ADIT related to Lee Combined Cycle plant addition, (\$28,539) additional ADIT associated with Lee Nuclear, (\$1,740) related to the change in end of life nuclear reserves in working capital, (\$48,284) additional ADIT associated with deferred environmental costs, (\$6,300) related to amortization of deferred AMI costs, (\$736) related to amortization of rate case costs, (\$896) associated with amortization of deferred customer connect costs, \$32,568 reduction in ADIT related to the change in federal tax rate, and (\$837) associated with the amortization of deferred grid costs.

(b) Adjustment to rate base to reflect the projected balance of CWIP as of December 31, 2018

DUKE ENERGY CAROLINAS, LLC
ELECTRIC PLANT IN SERVICE AT ORIGINAL COST
DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	South Carolina Retail Excluding Greenwood Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	Production Plant	\$ 20,770,049	\$ 4,961,737	\$ 419,696	\$ 5,381,433
2	Transmission Plant	3,874,751	738,077	42,143	780,220
3	Distribution Plant	11,345,730	2,901,033	132,761	3,033,794
4	General Plant	1,122,460	269,162	42,447	311,610
5	Intangible Plant	943,491	217,096	-	217,096
6	Subtotal	38,056,480 (a)	9,087,106	637,046	9,724,152
7	Nuclear Fuel (Net)	527,459	130,305	-	130,305
8	Total electric plant in service	<u>\$ 38,583,940</u>	<u>\$ 9,217,411</u>	<u>\$ 637,046 (b)</u>	<u>\$ 9,854,457</u>

Notes: (a) Excludes asset retirement obligations, electric plant held for future use, and electric plant acquisition adjustments totaling \$213,146 thousand.

(b) Reflects certain plant in service additions through December 2018.

DUKE ENERGY CAROLINAS, LLC
ACCUMULATED DEPRECIATION AND AMORTIZATION - ELECTRIC PLANT IN SERVICE
DECEMBER 31, 2017
(Thousands of Dollars)

No.	Description	Total Company Per Books	South Carolina Retail Excluding Greenwood Operations		
		(Col. 1)	Per Books (Col. 2)	Accounting Adjustments (b) (Col. 3)	As Adjusted (Col. 4)
1	Production Reserve	\$ (8,267,617)	\$ (1,993,693)	\$ (32,113)	\$ (2,025,806)
2	Transmission Reserve	(1,403,966)	(268,419)	(1,074)	(269,493)
3	Distribution Reserve	(4,657,540)	(1,191,005)	(7,004)	(1,198,009)
4	General Reserve	(401,403)	(95,522)	70	(95,452)
5	Intangible Reserve	<u>(544,150)</u>	<u>(127,262)</u>	-	<u>(127,262)</u>
6	Total	<u>\$ (15,274,676) (a)</u>	<u>\$ (3,675,901)</u>	<u>\$ (40,121)</u>	<u>\$ (3,716,022)</u>
7	The annual composite rates (calculated based on 2017 balances) for computing depreciation are shown below:				
		<u>Plant/Other</u>			
8	Steam production plant	3.41%			
9	Nuclear production plant	3.39%			
10	Hydro production plant	1.86%			
11	Combustion turbine production plant	3.10%			
12	Transmission plant	2.05%			
13	Distribution plant	2.19%			
14	General plant	5.27%			
15	Intangible plant	20.00%			

Notes: (a) Excludes accumulated amortization of electric plant acquisition adjustment and accumulated depreciation related to asset retirement obligations totaling \$(104,559) thousand.

(b) Reflects (\$9,059) for the impact of annualized depreciation, (\$21,530) associated with post yest year plant additions, (\$10,412) related to new depreciation rates

DIRECTIVE

DUKE ENERGY CAROLINAS, LLC
MATERIALS AND SUPPLIES
DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	South Carolina Retail Excluding Greenwood Operations		
			Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
	Fuel Stock:				
1	Coal	\$ 193,823			
2	Oil	35,478			
3	Total fuel stock	229,301	56,647	\$ 2,362 (a)	59,009
4	Other electric materials and supplies and stores clearing	780,728	177,163	828 (b)	177,991
5	Total Materials and Supplies	\$ 1,010,030	\$ 233,810	\$ 3,190	\$ 237,000

Notes: (a) Adjusts coal inventory to reflect the targeted inventory level of 40 days at full load.

(b) Adjusts materials and supplies to expected level of Lee Combined Cycle inventory to be placed in service in 2018.

DUKE ENERGY CAROLINAS, LLC
WORKING CAPITAL INVESTMENT
DECEMBER 31, 2017
(Thousands of Dollars)

Line No.	Description	Total Company Per Books (Col. 1)	South Carolina Retail Excluding Greenwood Operations	
		Per Books (Col. 2)	Accounting Adjustments (Col. 3)	As Adjusted (Col. 4)
1	12 Months O&M (excluding purchased power & nuclear fuel)	\$ 3,085,907	\$ 731,480	\$ (13,768) (a) \$ 717,712
2	Working Cash (1/8 of O&M on Line 1)	385,738	91,435	(1,721) (b) 89,714
3	Less: average taxes accrued	(193,735)	(79,853)	- (79,853)
4	Subtotal: Investor funds for operations	192,004	11,583	(1,721) 9,861
5	Required bank balance	300	70	- 70
6	Unamortized Debt	113,935	26,437	- 26,437
7	Customer Deposits	(120,758)	(29,541)	- (29,541)
8	Prepayments	15,298	3,634	- 3,634
9	Other	(1,897,952)	(413,919)	83,942 (c) (329,977)
10	Subtotal: Other investor funds	(1,889,177)	(413,319)	83,942 (329,378)
11	Total working capital investment	\$ (1,697,173)	\$ (401,737)	\$ 82,221 \$ (319,516)

Notes: (a) Page 3, Line 36, Columns 2, 3, and 4

(b) Reflects a decrease in operating funds based on 1/8 of O&M on line 1

(c) Reflects a decrease of (\$35,976) for costs recorded in connection with fuel riders, an increase of \$3,563 for the deferred cost balance of Carolinas West Control Center, \$5,784 related to new depreciation rates, an increase of \$14,309 for the deferred costs balance of Lee Combined Cycle, an increase of \$114,386 for the establishment of a regulatory asset at June 1, 2018 for Lee Nuclear, an increase of \$6,975 related to end of life nuclear reserves, an increase of \$193,522 to the regulatory asset for deferred environmental costs, \$25,252 for the addition of the deferred AMI balance to rate base, \$2,949 for the addition of deferred rate case costs to rate base, \$3,592 for the addition of deferred customer connect costs to rate base, and an increase of \$3,356 for the addition of deferred grid costs.